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HOUSING MARKET OUTLOOK

NEW HOME MARKET

Sudbury Starts Peaking, Thunder Bay Falling

Greater Sudbury and Thunder Bay housing starts were moving in different directions throughout 2005. After a string of increases that began in 2000 fueled by employment growth, low interest rates and a tightening resale market, Greater Sudbury single-detached starts are poised to peak in 2005. CMHC has counted 282 starts to the end of September on track for 390 single-detached starts, up from 374 in 2004. Another 50 multi-family starts will bring total Greater Sudbury starts to 440. Employment softening will

temper 2006 starts as will the fact much of the new home demand present has been satisfied during the sustained low interest rate environment leaving less short term demand remaining.

Thunder Bay home starts, meanwhile, have seen weak performance over the last six months leaving this year's count well off 2004. Flat employment growth especially in the key 25-44 age group has left faltering demand for new homes. The general malaise brought on by forest products sector weakness is trickling through to the new

Northern Ontario

Canada Mortgage and Housing Corporation

www.cmhc.ca

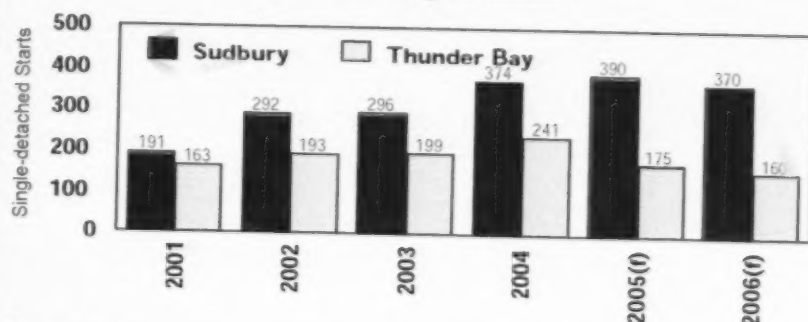
Issue: Autumn 2005

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construction market. Population growth is flat. The limited immigration that is occurring comes primarily from the hinterlands around Thunder Bay. The income levels of the arrivals are not enough to generate many new starts. Thunder Bay home starts for the first three quarters have totaled 129, down from 174 in 2004. After counting 287 starts in 2004 in Thunder Bay, only 240 will start in 2005, of which 175 will be single-detached units. New home starts will dip to 210 in 2006, made up of 160 singles and 50 multi-family units.

**Sudbury starts peaking
Thunder Bay in decline**



Source: CMHC.

Canada

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RESALE MARKET

Mixed Results

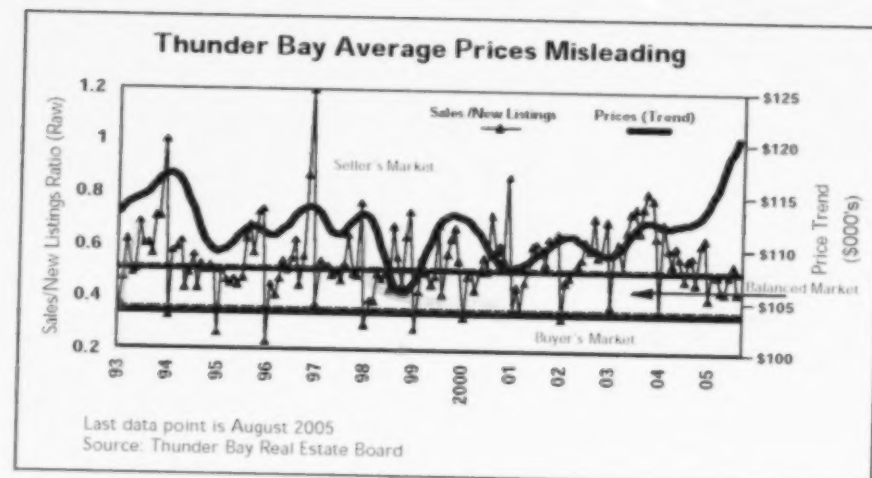
Continued low interest rates, stable employment in housing demand sensitive 25-44 age group and a falling supply of listings are key factors contributing to Sudbury's recent move to seller's market conditions. Sales to August 31st, were on par with last year. Expect 2,526 resales in 2005, with slightly fewer forecast in 2006.

Strong demand, with listings that have been falling continually since 1996, has created seller's market conditions. It is expected new listings will rise as Sudbury homeowners are seeing opportunities to capitalize on the market strength, especially for move-up homes. (see Chart below)

Greater Sudbury average resale prices are up approximately ten per cent to the end of the third quarter. They will likely end the year up 7.5 per cent.

Sales analysis of geographic sub-districts in Sudbury found widespread market strength confirming seller's market conditions.

Expect 2006 sales to be slightly less



as demand brought on by low interest rates subsides. Although a small employment increase is forecast, it will not be great enough to drive resales up to another record next year.

In Thunder Bay, sales have continued below 2004 levels and are now forecast to finish the year off 8.5 per cent. Sales will fall again next year but only 2.3 per cent. Average home prices are up strongly due to activity being concentrated in the upper home price ranges above traditional market averages. This has had the effect of skewing up the average for this year. Prices are forecast to rise five per cent this year and 2.5 per cent in 2006. New listings are up this

year and should conclude 2005 five per cent ahead of 2004. New listings will continue to grow next year but it is estimated that the increase will be only slight. (see Chart above and at right)

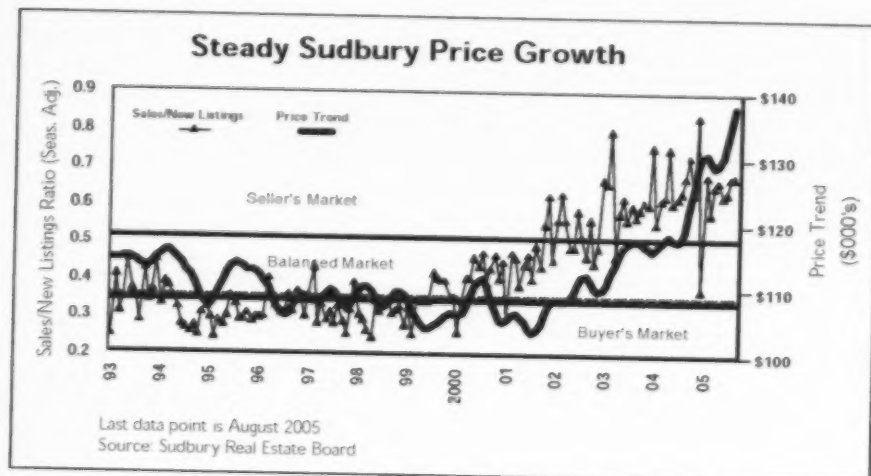
ECONOMY

Sudbury Employment Slipping, Thunder Bay Modestly Up

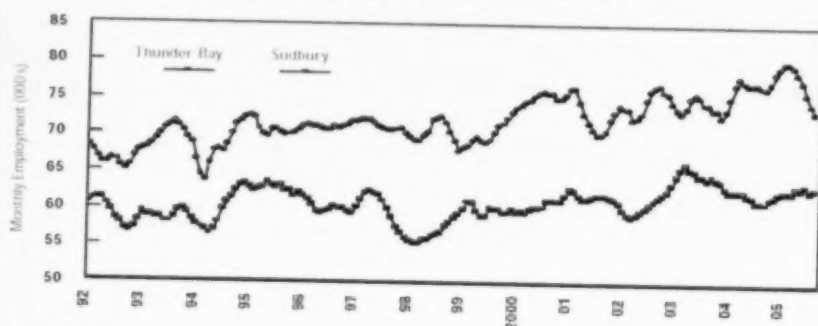
Employment levels in Greater Sudbury peaked in January and began a slide that continued through August. Employment, on average for this year, is still slightly ahead of the same period last year. The recent job weakness has primarily been in the part-time and service sectors which have mitigated the impact on homeownership. Employment in younger age groups has been solid contributing positively to rental demand.

A favourable outlook for nickel and gold prices bode well for the mining sector in Northeastern Ontario. Recent announcements of job creation at Teletech call centre, the BioDiesel facility and the plans to complete the Sudbury Regional Hospital by 2008, just to name a few will all spur employment in the medium term.

Only modest job growth is evident in Thunder Bay. September year -



Modest Job Growth



Note: Data to Aug. 31st, 2005.
Note: Seasonally Adjusted 15+ employment.
Source: Statistics Canada Labour Force Survey.

over-year employment levels fall short of the recent peak two years ago by nearly 2,000 jobs.

Thunder Bay's economy has been more greatly challenged by global forces than Sudbury. The forest products sector that represents a substantial part of Thunder Bay's economic base has been rocked by several bad news announcements over the past 12 months. Sudbury, with its reliance on nickel has benefited from continued strong nickel demand from Chinese economic expansion and that country's healthy appetite for stainless steel.

The backdrop of a rising Canadian dollar especially of late in 2005 is hampering Thunder Bay's economy as a result of its continued reliance on the export-oriented forest products industry. It is apparent now that especially in Thunder Bay, low mortgage rates cannot continue to fuel market expansion without contributions to housing demand from jobs. The opening of the Northern Ontario School of Medicine and the opening of the MCCI call centre in the former Eaton's building are two highlights of the third quarter in Thunder Bay. Both markets will experience slight employment growth this year and next.

RENTAL MARKET

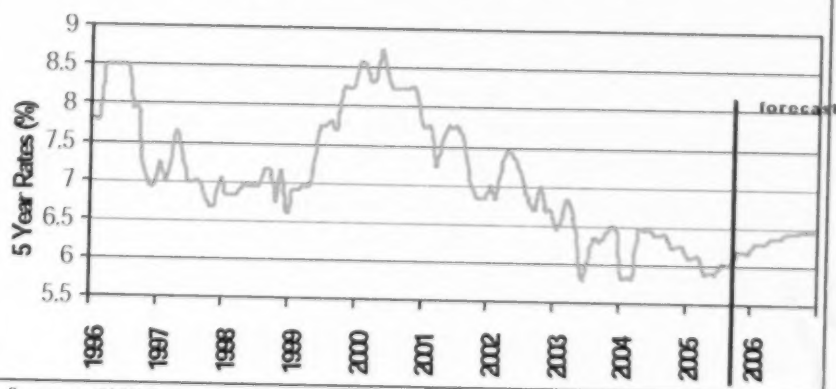
Thunder Bay and Sudbury Fortunes Differ

Greater Sudbury's vacancy rate for rental structures with at least three units dipped to 2.6 per cent in October 2004, down from 3.6 per cent last October according to CMHC Rental Market Survey (RMS) data. This rate was the lowest since 1992. The vacancy rate is forecast to fall further in Greater Sudbury to 2.0 per cent in 2005 and rise slightly to 2.5 per cent in 2006. Average two bedroom rents moved up and are now pegged at \$655, up from \$651 in 2003.

Mortgage Rate Outlook

Tame inflation, and a strong Canadian dollar vis-a-vis the U.S. dollar will restrain the size and speed of Canadian interest and mortgage rate increases in 2005 and 2006. Short-term mortgage rates are expected to be 25-35 basis points higher in 2005 than in 2004 while longer-term rates will be lower by a similar amount in 2005 compared to the previous year. While still low by historical norms, mortgage rates are expected to rise gradually by 25-50 basis points in 2006. One, three and five-year mortgage rates are forecast to be in the 4.50-5.75, 5.25-6.25, and 5.50-6.50 per cent ranges

Mortgage Rates to Creep Up



Source: CMHC

OUTLOOK SUMMARY

Northern Ontario

RESALE MARKET	2003	%chg	2004	%chg	2005(f)	%chg	2006(f)	%chg
Sudbury MLS sales*	2,191	7.9	2,500	14.1	2,526	1.0	2,475	-2.0
Sudbury MLS average price	\$117,441	2.8	\$122,866	4.6	\$132,100	7.5	\$134,700	2.0
Sudbury New Listings (Total)	3,664	-6.4	3,906	6.6	3,750	-4.0	3,712	-1.0
Thunder Bay MLS sales*	1,662	3.9	1,453	-12.6	1,330	-8.5	1,300	-2.3
Thunder Bay MLS average price	\$111,928	1.8	\$112,500	0.5	\$118,100	5.0	\$121,000	2.5
Thunder Bay New Listings (Total)	2,573	-12.0	2,616	1.7	2,747	5.0	2,802	2.0
NEW HOME MARKET	2003	%chg	2004	%chg	2005(f)	%chg	2006(f)	%chg
Sudbury Starts								
Total	306	2.7	388	26.8	440	13.4	420	-4.5
Single family	296	1.4	374	26.4	390	4.3	370	-5.1
Multiple (semi, row, apt)	10	0.0	14	40.0	50	257.1	50	0.0
Thunder Bay Starts								
Total	211	7.1	287	36.0	240	-16.4	210	-12.5
Single family	199	3.1	241	21.1	175	-27.4	160	-8.6
Multiple (semi, row, apt)	12	200.0	46	283.3	65	41.3	50	23.1
RENTAL MARKETS	2003	%chg	2004	%chg	2005(f)	%chg	2006(f)	%chg
Sudbury Vacancy rate (Oct. '04)	3.6%	n/a	2.6%	n/a	2.0%	n/a	2.5%	n/a
Average rent, two-bed. apt.	\$651	4.4	\$655	0.6	\$665	1.5	\$670	0.8
Thunder Bay Vacancy rate (Oct. '04)	3.3%	n/a	5.0%	n/a	5.5%	n/a	6.0%	n/a
Average rent, two-bed. apt.	\$672	0.0	\$679	1.0	\$686	1.0	\$690	0.6
ECONOMIC OVERVIEW	2003	%chg	2004	%chg	2005(f)	%chg	2006(f)	%chg
Mortgage rate, 5 year	6.39	n/a	6.23	n/a	6.05	n/a	6.38	n/a
Sudbury Net Migration**	326	n/a	321	n/a	n/a	n/a	n/a	n/a
Thunder Bay Net Migration **	576	n/a	107	n/a	n/a	n/a	n/a	n/a
Sudbury Employed (Annual avg.)	74,000	-0.8	77,100	4.2	78,000	1.2	78,500	0.6
ER 590 *** Employed	252,700	0.8	254,000	0.5	n/a	n/a	n/a	n/a
Thunder Bay Employed (Annual avg.)	64,600	5.7	61,800	-4.3	62,500	1.1	62,900	0.6
ER 595 **** Employed	116,500	3.1	110,900	-4.8	n/a	n/a	n/a	n/a

* Based on SREB/TBREB (Sudbury/Thunder Bay Real Estate Board) territories.

** Source of Migration data is Statistics Canada Small Area Data Division

*** Economic Region 590 includes the Northeastern Ontario Districts excluding Sudbury CMA.

**** Economic Region 595 includes the Northwestern Ontario Districts excluding Thunder Bay CMA.

2005 Ontario Retirement Homes Report

Do you want to learn more about the dynamic private retirement home market in Ontario?
The 2005 Retirement Homes Report has detailed Ontario-wide survey findings by market area covering
vacancy rates and per diems by bed type, capture rates, new supply
and vacancy rates by rent range for private beds as well as rent distributions.

For more information on the content of this report, please contact:
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